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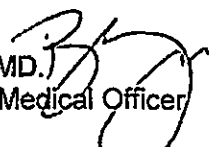
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October 29, 2007

TO: Each Supervisor

FROM: Bruce A. Chernof, MD. 
Director and Chief Medical Officer

SUBJECT: **MLK REQUEST FOR SOLUTIONS UPDATE**

In August, 2007 Hammes Company (Hammes), the consultant engaged to assist the Department of Health Services (DHS or Department) in contracting with an operator for Martin Luther King Jr. Hospital (MLK), contacted many of the large system operators within the California market. With the exception of a few, many of the large California hospital systems that we had preliminary discussions with, said that they were not interested in participating in the re-opening of MLK.

In addition to meeting with the large hospital systems, we ran ads in local and national publications during the first two weeks of September. This was a part of our effort to "cast a wide net" and encourage the healthcare community outside of the larger systems to come forward and be included in the process. The publications we advertised in are:

- The Wall Street Journal
- Modern Healthcare Magazine
- The LA Times
- The LA Sentinel
- La Opinion
- LA Daily News
- Long Beach Press Telegram

At the conclusion of this, we decided to follow a dual track process for identifying a possible operator. The first track involved directed invitations from your Board to three entities which had been identified by Hammes as potentially interested: the Daughters of Charity, Catholic Healthcare West, and the Regents of the University of California. The invitations asked them to work with Hammes to develop proposals. The second track involved Request for Solutions (RFS) which invited qualified interested parties to submit proposals.

On Monday October 8, 2007 the RFS was officially posted on the DHS website and also emailed to a group of prospective operators that contacted DHS and/or Hammes requesting to be on the distribution list for the RFS. The RFS was also distributed to three prospective operators that the County Board of Supervisors sent letters to, to give them a more complete understanding of the County's objectives.

The RFS distribution list is as follows:

1. Daughters of Charity Health System*
2. Catholic Healthcare West*
3. University of California*
4. Prime Healthcare Services
5. Molina Healthcare
6. Centinela Freeman
7. Advanced Hospital Management
8. Surgical Development Partners
9. Pacific Hospital of Long Beach
10. Arab American Business Counsel
11. Excel
12. Dr. Robert Yang
13. Willie Wilson
14. Dr. Alfred Rovin
15. Vargas Realty
16. Temple Community Hospital
17. ABCO Development Corporation

**Denotes operators that also received a letter from the Los Angeles County Board of Supervisors*

The first step in the RFS process was for prospective operators to send a letter of intent (LOI) to submit; due no later than 5:00 pm (PST) on Monday, October 15, 2007. The following is a brief summary of the results from both processes:

RESPONSE TO THE RFS

Hammes received letters of intent from the following prospective operators in response to the RFS:

1. Temple Community Hospital

Temple Community Hospital (TCH) is a for-profit general acute care hospital located in Los Angeles. TCH is partnered with the Medical Capital Group, who will be there capital partner for this endeavor.

2. The Black Foundation/Care Group International

The Black Foundation/Care Group International is a not-for-profit organization that provides access to free and needed care to underserved communities primarily within United States inner-city communities. They reportedly recruit and organize doctors and nurses to travel abroad to places like Uganda to care for genocide survivors and Indonesia to provide aid to the tsunami survivors.

3. Pacific Hospital of Long Beach

Pacific Hospital of Long Beach is a for-profit general acute care hospital located in Long Beach.

4. SSB Solutions

SSB is a consulting firm, headed by Dr. Jacque Sokolv and a group of senior healthcare consultants. They did not indicate their experience in operating hospitals as a firm in their letter.

RESPONSE TO THE LETTER SENT BY THE BOARD OF SUPERVISORS

In response to the letters sent on September 21, 2007 to **Catholic Healthcare West, Daughters of Charity, and the University of California** – all three organizations have communicated their willingness to have preliminary discussions with the County and Hammes to explore potential solutions for re-opening the hospital. These organizations have signaled their intent to participate and will develop their proposals with Hammes.

SITE VISIT UPDATE

Site visits at Martin Luther King Jr. Multi-services Ambulatory Care Center were scheduled as follows:

1. Wednesday, October 17, 2007 at 10:30am
Attendees:
 - Temple Community Hospital & Medical Capital
 - The Black Foundation/Care Group International
2. Thursday, October 18, 2007 at 3:00pm
Attendees:
 - Pacific Hospital of Long Beach

Hammes will be coordinating additional visits for the University of California, Daughters of Charity, and Catholic Healthcare West at later dates.

NEXT STEPS IN THE RFS PROCESS

The deadline for submission of proposed solutions from the four operators who submitted letters of intent will be Monday, November 5, 2007. These submissions will be considered concurrently with the information developed by Hammes with the other three potential operators (University of California, Daughters of Charity, and Catholic Healthcare West). Hammes is expected to produce a list of 'preferred' operators who have met the criteria in the RFS by November 14th. They will then arrange interviews with the operators that the County wishes to have further discussions with. It is Hammes intent to have the County narrow its selection and to undertake detailed discussions with the selected operators beginning in December. Completion of the discussions will depend on the issues identified by the potential operator(s) and the County's concerns regarding the completion of a contract amendment.

BAC:jrc

c: Chief Executive Officer
County Counsel
Executive Officer, Board of Supervisors